The Serbian economy has been moderately affected by the COVID-19 pandemic. In 2020, GDP declined by an estimated 1%, while total employment increased by 1.9%. SME value added fell by 0.3%.

**STRENGTHS AND CHALLENGES**

**KEY STRENGTHS**

- According to the survey on the access to finance of enterprises (SAFE) carried out by the European Commission/European Central Bank, only 4.5% of SME loan applications were rejected in Serbia in 2019 – significantly below the EU average and a considerable improvement since 2017, when this rate stood at 8%.

- According to the World Bank’s Doing Business report, it takes just 7 days to start a business in Serbia, which is below the EU average of 12 days. The cost of starting a business in Serbia as a share of income per capita – which currently stands at 2.3% – is also lower than the EU average of 3%.

- Serbian SMEs benefit from fast and simple export procedures. According to the World Bank, border compliance procedures in Serbia only take 4 hours – half the EU average.

- As reported by the World Bank, Serbia has a strong insolvency framework, rated much higher than the EU average.

**KEY CHALLENGES**

- According to the Global Entrepreneurship Monitor, early-stage entrepreneurial activity in Serbia is rather low at 5% – half the EU average. The difference is even greater for female early-stage entrepreneurial activity – it amounts to only 2.8%, against an EU average of 7.5%.

- Inefficient public administration and an unpredictable business environment present a major obstacle to entrepreneurship in Serbia. The widespread shadow economy remains a major impediment to the development of a strong corporate sector. Businesses identify corruption and problems in exercising the rule of law as key obstacles to the investment climate and economic development.

- Serbian SMEs lag behind in the uptake of advanced digital solutions. According to the Statistical Office of the Republic of Serbia and Eurostat, only 27% of them use enterprise resource planning software to share information between different functional areas, compared to 35% in the EU, and only 18% use cloud services.

**OTHER KEY SME-RELATED BRIEF INSIGHTS**

- According to a World Bank report on the labour market in 2020, the sectors hardest hit in Serbia by the COVID-19 crisis were hospitality, retail, real estate, and professional services. The measures to support the private sector during the crisis included payments of non-refundable grants to SMEs in May-July and August-September 2020. In addition, 900,000 employees in SMEs received minimum wages from the government during this period.

- According to the Digital Serbia Initiative, the Serbian start-up ecosystem is still in the development stage. Start-ups face difficulties in raising funding – more than half of them rely on their own funds and have not raised any external funding.

The SME Performance Review monitors SME-related developments across the EU. For more information, please see: [https://ec.europa.eu/growth/smes/sme-strategy/performance-review_en](https://ec.europa.eu/growth/smes/sme-strategy/performance-review_en)